

Newsroom ▾

Research ▾

About ▾

Explore    Subscribe  Language

Analysis

LNG

Natural Gas

United States

LNG exports have raised natural gas prices for U.S. households

November 30, 2023
Clark Williams-Derry



Key Findings

Although Russia's invasion of Ukraine caused U.S. natural gas prices to spike in 2021 and 2022, wholesale gas prices fell back to earth in early 2023.



Despite the drop in wholesale gas costs, many families are still paying high prices for gas that their utilities bought during the price spikes.

Newsroom ▾

Research ▾

About ▾

Explore  Subscribe  Language

With U.S. LNG exports slated to almost double over the next five years, U.S. households should brace for more volatility in natural gas costs.



There is one easy way to keep this problem from getting worse: Curtail new gas export projects. We've already dug ourselves into a hole. The smartest thing to do now is to stop digging.



As winter heating bills start hitting America's mailboxes over the next few weeks, many families will face sticker shock. Even as inflation has eased in much of the economy, it could cost more than ever to heat our homes. Bloomberg [reports](#) that natural gas bills have gone up 29% since the beginning of 2020.

Many Americans were braced for higher gas bills in 2022, a rare year in which natural gas prices regularly made news headlines. Russia's invasion of Ukraine, followed by the explosion of the Nord Stream pipeline carrying gas from Russia to Germany, had caused global gas prices to spike to all-time highs. U.S. exporters quickly ramped up shipments of liquefied natural gas (LNG) to take advantage of high international prices. Surging LNG exports, in turn, left U.S. gas markets short of gas. As America exported more and more LNG, the nation imported higher gas prices as a result.

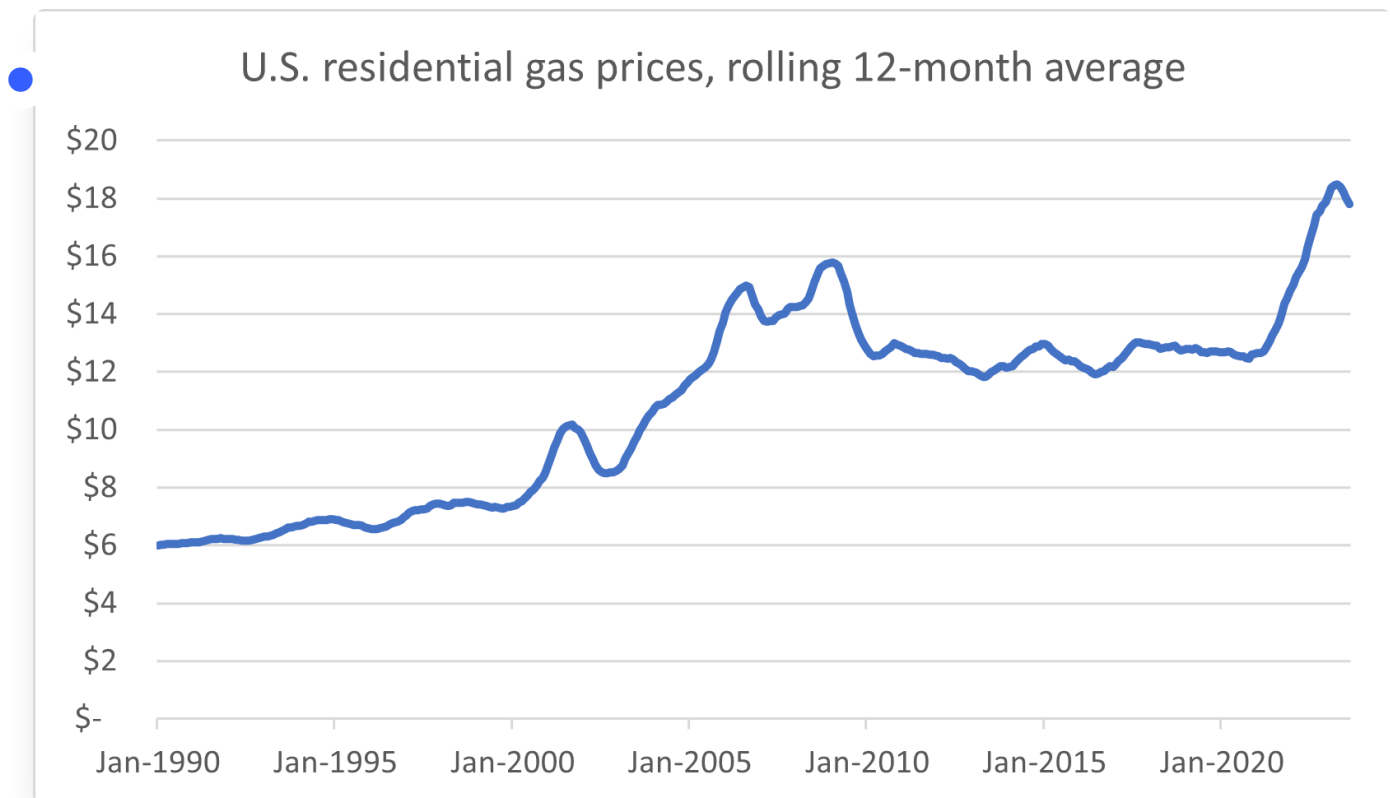
Gradually, however, U.S. gas markets came back into balance. Spurred on by high prices, North American gas producers boosted output, even as consumers trimmed demand. By

[Newsroom](#) ▾[Research](#) ▾[About](#) ▾[Explore](#) [Subscribe](#) [Language](#)

Yet despite the drop in wholesale costs, many residential utilities are still, to this day, charging their customers near-record fees for gas. As of August, the most recent month for which comprehensive [national data](#) was available, residential gas prices had just started to ease, but remained well above their average for the previous decade. (See Figure 1.) In 10 states, August 2023 residential gas prices were at their highest level of all time. Notably, those states included West Virginia and Ohio, which are at the epicenter of Appalachia's gas production boom—providing concrete evidence that producing lots of gas locally doesn't always keep your utility bills down.

Figure 1. U.S. residential gas prices, rolling 12-month moving average.

(\$/thousand cubic feet)



Source: IEEFA from U.S. Energy Information Administration data.

[Newsroom](#) ▾[Research](#) ▾[About](#) ▾[Explore](#)  [Subscribe](#) [Language](#)

customers, but this process can take months or even years. In many states, utilities didn't get permission to raise rates until long after wholesale prices had shot up, which means many utility customers are still paying high prices for gas that their utilities bought a year or more ago. This isn't just a problem for gas. Many electric utilities work in the same way, passing on fuel costs to their consumers.

Across the country, utilities and regulators have been quite explicit about the role that gas exports played in boosting costs for their customers.

- [Spire Energy](#), which provides gas to customers in Missouri, Alabama, and Mississippi, [recently](#) explained cost increases this way: "Recent international events impacting the global supply of natural gas mean it costs more for Spire to purchase natural gas for our customers."
- In [testimony](#) before the Wyoming Public Service Commission, Rocky Mountain Power pegged gas exports as "the primary driver" for utility price increases: "the conflict in Ukraine ... has decreased European availability of natural gas, previously sourced from Russian imports ... European demand has turned to U.S. domestic supply to fill the gap and the increased competition over domestic supply has driven regional natural gas fuel prices upwards."
- Late last year, the Indianapolis utility Citizens Energy Group [pinned](#) higher costs on LNG exports: "Global natural gas prices have been rising sharply since February when Russia invaded Ukraine and then began to gradually restrict natural gas supplies to Europe. As a result, U.S. natural gas producers have begun to export large quantities of liquefied natural gas (LNG) to Europe. Increased demand for LNG ... has resulted in natural gas prices more than doubling since last fall."
- In Colorado, the Public Utilities Commission echoed these findings, [stating](#) that "the market for natural gas is national and increasingly international due [to] Liquefied Natural Gas (LNG) exports." In a separate presentation, commission staff issued a warning of future price instability: "As a result of increased LNG exports, US natural gas prices are increasingly influenced by international markets in ways that likely raise natural gas prices in CO and make them more volatile ... Expanded LNG exports could lead to higher and more volatile future natural gas prices as international, national, and local gas markets become more tightly integrated."

[Newsroom](#) ▾[Research](#) ▾[About](#) ▾[Explore](#)   [Subscribe](#)   [Language](#)

With U.S. LNG exports slated to almost double over the next 5 years, U.S. ratepayers should brace themselves for more volatility. For decades, U.S. gas markets have been largely insulated from global price movements. There simply was no way for price contagion abroad to spread to gas markets here at home. But LNG exports tie us to the volatility of international markets. A cold snap in Asia, unrest in the Middle East, or another key gas pipeline failure could cause a surge in demand for U.S. LNG exports, which in turn could put upward pressure on U.S. gas prices.

There is, of course, one easy way to keep this problem from getting worse: Curtail new gas export projects. We've already dug ourselves into a hole. The smartest thing to do now is to stop digging.



Newsroom ▾

Research ▾

About ▾

Explore  Subscribe  Language

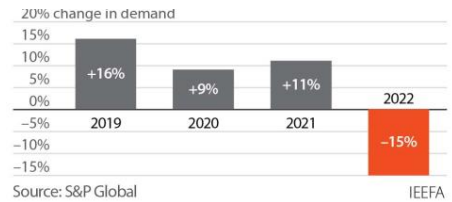
Rio Grande LNG project could raise U.S. gas prices—and add to a looming global glut

June 15, 2023
Clark Williams-Derry



LNG exports may spell trouble on horizon for U.S. consumers

April 24, 2023
Clark Williams-Derry



Global LNG Outlook 2023-27

February 15, 2023
Shafiqul Alam, Arjun Flora,
Haneea Isaad...



Clark Williams-Derry

Clark Williams-Derry focuses on the finances North America's oil, gas, and coal industries. His areas of expertise include: the long-term financial performance of North American oil & gas companies, particularly fracking-focused enterprises; company- and basin-specific

[Newsroom](#) ▾[Research](#) ▾[About](#) ▾[Explore](#) [Subscribe](#) [Language](#)[Go to Profile](#)

Analysis



Financing just transition through blended finance

December 22, 2023
Shantanu Srivastava

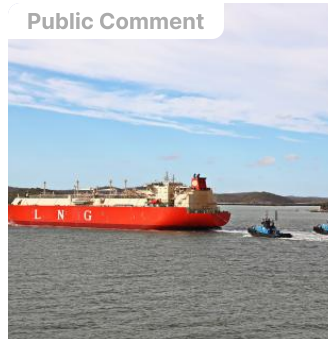
Analysis



Financing the JETP: Making sense of the packages

December 22, 2023
Grant Hauber

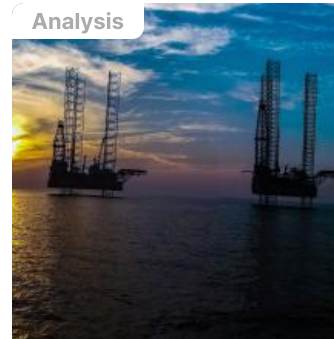
Public Comment



Comments to the Department of Energy on Southern LNG Company proposals

December 20, 2023
Trey Cowan

Analysis



Australia's CCS expansion poses increased risks

December 20, 2023
Kevin Morrison



Join our newsletter

Keep up to date with all the latest from IEEFA

Newsroom

- All News
- Press Releases
- IEEFA in the Media
- Media Inquiries

Research

- All Research
- Reports
- Analysis
- Explore

About

- What We Do
- Who We Are
- Conference
- Employment

Get in Touch

- Contact Us
- Subscribe

Contact us

INSTITUTE FOR
ENERGY
ECONOMICS AND
FINANCIAL
ANALYSIS

14900 Detroit
Avenue Suite 206
Lakewood, OH
44107

T: 216-712-6612
E: staff@ieefa.org

